

North Carolina Volkswagen Settlement Plan

Executive Summary

Settlement Background

Governor Roy Cooper has designated the N.C. Department of Environmental Quality (DEQ) to manage North Carolina's share of the VW Settlement, an agreement between the German automaker and the U.S. Department of Justice on behalf of the U.S. Environmental Protection Agency (EPA).

As part of a settlement agreement with the U.S. Department of Justice, Volkswagen Group of America, Inc. (VW) accepted the \$14.9 billion penalty after acknowledging that it installed devices on certain diesel vehicles to make them appear to meet strict emissions standards when in fact they did not. The money will be used to buy back affected vehicles as well as fund environmental mitigation and investment to promote the use of zero-emission vehicles (ZEV) and infrastructure.

North Carolina will receive approximately \$92 million, based on the number of affected 2.0-liter and 3.0-liter diesel engine vehicles registered here. The sum is part of the \$2.9 billion designated for projects established through the VW's Environmental Mitigation Trust.

The purpose of the mitigation projects is to reduce NOx emissions from eligible diesel vehicles. States can develop programs and fund projects that make the most sense for them, within the boundaries set by the settlement. Those boundaries involve replacing older diesel vehicles or equipment with new models that emit far less pollution. The replacements can use any fuel, including diesel, electricity, natural gas and propane. Eligible replacements under the settlement are:

- Heavy-duty and medium-duty trucks
- School, transit and shuttle buses
- Switcher locomotives
- Ferry, tug and tow boats
- Shore power for ocean-going vessels
- Airport ground support equipment
- Forklifts and port cargo-handling equipment
- Diesel Emission Reduction Act eligible vehicles and equipment

Additionally, North Carolina is committed to using the maximum allowance of 15% of the state's mitigation funds for zero-emission vehicle infrastructure.

North Carolina's Mitigation Plan

States must develop plans for using their settlement funds and submit them for approval to the Trustee managing the funds nationally. North Carolina's plan involves three phases of funding for five programs for the duration allotted by the consent decree.

Plan goals

DEQ solicited input from North Carolinians across the state on how the VW mitigation trust funds should be spent and used the public feedback to set goals to guide the department on how to allocate the funds over the duration of the program. DEQ will use the funds to achieve significant NOx emissions reductions. Based on the distribution of violating vehicles registered across the state, DEQ plans to allocate the funds between urban / suburban counties (68%) and rural counties (32%). DEQ will submit requests to the Trustee of the Environmental Mitigation Trust to use funds for eligible projects throughout the state that will reduce or eliminate emissions of NOx focusing on the most cost-effective projects, the quantity of NOx emission reductions and other factors.

Phased program approach

DEQ plans a phased approach for North Carolina's \$92 million allocation and will seek additional input and make changes to the plan as needed between phases. This plan addresses Phase 1 (2018-2020) only.

The first phase of funding represents the beginning step in achieving our multi-year goals for the program. The proposed three phases of funding are:

- Phase 1: \$30.68 million (33% of overall funds) – 2018 – 2020
- Phase 2: \$30.68 million (33% of overall funds) – 2020 – 2022
- Phase 3: \$30.68 million (33% of overall funds) – 2022 – 2024

For Phase 1, eligible public projects include:

- projects submitted by local, state, and tribal government organizations,
- projects submitted by public or private nonprofit organizations,
- projects submitted by public-private partnerships where the lead applicant represents a public sector, public or private nonprofit entity, and
- both public and private sector projects will be eligible for the light-duty ZEV infrastructure program.

Phase 1 programs (2018-2020)

During the initial 2018 – 2020 period, DEQ will allocate 33% (\$30.68 million) of North Carolina's overall funding. The state's ability to fund projects in each category at the target levels will depend on the applications received. The exact percentages may shift with demand. It should be noted that nothing in the following table is binding, and the information is only intended to provide the public with a high-level vision for the use of the mitigation funds. If DEQ does not receive sufficient applications in a category, the department will shift funds between categories in Phase 1 or return funds to the trustee for use in the next funding phase.

Summary of Programs, Phase 1 (2018-2020)

NC Grant Programs (2018-2020)	Eligible Action Category	Eligible Fuels	2018-2020 Funding (Phase 1)	
			Targeted Percent*	Targeted Funding Amount
School bus replacement program	School buses	Diesel – 25%	40%	\$12,272,754
		Propane & Natural Gas – 10%		
		All-electric – 5%		
Transit bus replacement program	Transit buses	All (diesel, propane, natural gas, electric)	20%	\$6,136,377
Clean heavy-duty on-road equipment program	Class Local Freight 4-8 trucks	All (diesel, propane, natural gas, electric)	10%	\$3,068,189
Clean heavy-duty off-road equipment program	Switcher locomotives, ferries, tugs, forklifts, port cargo handling equipment, ocean-going vessel shore power, airport ground support equipment, Diesel Emission Reduction Act (DERA)	All (diesel, propane, natural gas, electric)	10%	\$3,068,189
ZEV infrastructure program		Not Applicable	15%	\$4,602,283
Administrative Costs		Not Applicable	5%	\$1,534,094
	Total:			\$30,681,886

*Percentage of available settlement funds targeted in these eligible categories for 2018 – 2020.

Public Involvement

The Department of Environmental Quality is committed to using the VW settlement funds in ways that reflect the input and interests of stakeholders throughout North Carolina. DEQ will have an open and transparent process that includes the input of a wide range of citizens. Before drafting the state plan for phase 1, the department held five public stakeholder meetings and received 872 written comments and responses to our initial request for information. DEQ kept interested parties up to date with informational email bulletins and released a draft of the state plan to give North Carolinians the opportunity to provide input. We received 563 comments which helped shape the final plan for phase 1. DEQ will also provide stakeholders opportunities to provide input throughout the settlement program. Information on future comment submissions and the summaries of responses the DEQ has received so far are located on our VW settlement website: <https://deq.nc.gov/about/divisions/air-quality/motor-vehicles-and-air-quality/volkswagen-settlement/volkswagen>.

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